

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 345 – SB 533**

March 2, 2009

**SUMMARY OF BILL:** Creates a new Hall Income Tax (HIT) exemption for individuals 70 years of age and older when their total annual income is less than one-half of the per capita income in Tennessee for the prior calendar year.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue –**

**\$6,055,900/FY10-11 and Subsequent Years**

**Decrease Local Revenue –**

**\$3,633,500/FY10-11 and Subsequent Years**

**Assumptions:**

- Per capita income in Tennessee is estimated to be \$34,500.
- Given this bill applies to tax years beginning on January 1, 2010, the first year impacted by the bill would be FY10-11.
- Current state law levies the HIT on income derived from stock dividends and bond interest.
- Each person, partnership, association, trust, and corporation within the state who receives, accrues, or is otherwise credited during any year income from the above sources shall pay a six percent tax on such income.
- Based on information provided by the Department of Revenue (DOR), approximately 5.53 percent of currently budgeted HIT collections for FY08-09 could erode as a result of this bill.
- According to Fiscal Review Committee estimates submitted to the State Funding Board in December 2008, HIT collections are projected to be \$175,216,000 for FY08-09.
- HIT collections remain constant at \$175,216,000 in subsequent years.
- The total decrease to HIT collections is estimated to be \$9,689,400 per year ( $\$175,216,000 \times 5.53\% = \$9,689,445$ ).

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- Current law distributes five-eighths (62.5 percent) of all HIT revenue to the state's general fund; the remaining three-eighths (37.5 percent) is apportioned to local government.
- The decrease to state revenues is estimated to be \$6,055,900 per year beginning in FY10-11 ( $\$9,689,400 \times 62.5\% = \$6,055,875$ ).
- The decrease to local government revenue is estimated to be \$3,633,500 per year beginning in FY10-11 ( $\$9,689,400 \times 37.5\% = \$3,633,525$ ).

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc